

CITY OF EVANSVILLE
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2007

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**City of Evansville
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December 31, 2007**

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Certified Public Accountants

Quality service through our commitment to clients and staff

Millard W. Johnson ▲ James L. Block ▲ Alan L. Brey ▲ Joseph G. Mohlmann ▲ Kevin P. Krysinski ▲ Janice L. Froelich

INDEPENDENT AUDITOR'S REPORT

August 27, 2008

To the City Council
City of Evansville, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Evansville, Wisconsin, as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Evansville, Wisconsin, management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the City of Evansville, a discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Evansville, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Evansville, Wisconsin, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2008 on our consideration of the City of Evansville, Wisconsin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

The management's discussion and analysis and the general fund budgetary comparison information on pages i through x and 41, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Evansville's basic financial statements. The combining non-major fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Evansville, Wisconsin. The combining financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Johnson Block & Company, Inc.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2007

As management of the City of Evansville, we offer readers of the City of Evansville financial statements this narrative overview and analysis of the financial activities of the City of Evansville for the fiscal year ended December 31, 2007. We encourage the reader to consider the information presented here in conjunction with the Independent Auditor's Report at the front of this report and the City's financial statements, which immediately follow this section.

THE FINANCIAL HIGHLIGHTS

When revenues exceed expenses, the result is an increase in net assets. When expenses exceed revenues, the result is a decrease in net assets. You can think of this relationship between revenues and expenses as the City's operating results. You can think of the City's net assets, as measured in the Statement of Net Assets, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets, as measured in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. However, the City's goal is to provide services that improve the quality of life for our residents, not to generate profits as companies do. For this reason, you will need to consider many other non-financial factors, such as the condition of our roads, in assessing the overall health of our City.

- The assets of the primary government of the City of Evansville exceeded its liabilities as of December 31, 2007, by \$19,561,072 (net assets). Of this amount, \$4,818,360 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total general fund expenditures for operations were \$51,801 less than budgeted.
- Interest earned on temporary investments was higher than budgeted for by \$114,227.
- As of December 31, 2007, the City of Evansville's governmental funds reported combined ending fund balances of \$3,804,820. Approximately 70 percent of this total or \$2,652,450 is unreserved and undesignated.
- As of December 31, 2007, the unreserved/undesignated fund balance for the general fund was \$1,052,531, or approximately 40 percent of total general fund expenditures.
- The City of Evansville's governmental liability for compensated absences increased by \$43,138 for a total liability at December 31, 2007, of \$195,315.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Evansville's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are the *Statement of Net Assets* and *Statement of Activities*. These statements present an aggregate view of the City's finances in a manner similar to private-sector business. The government-wide financial statements can be found on pages 1 and 2 of this report.

- The *statement of net assets* presents information on all of the City of Evansville's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Evansville is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e. g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the City of Evansville that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Evansville include general government, public safety, public works, health and human services, parks and recreation, and conservation and development. The business-type activities of the City of Evansville include the Water and Light Utility and the Wastewater Treatment Plant or sanitary sewer utility.

The government-wide financial statements include only the activities of the City of Evansville. The Evansville Housing Authority is considered to be a component unit of the City of Evansville for reporting purposes.

Fund financial statements. The City also produces fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City, like other state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

generally report operations in more detail than the City-wide statements and provide information that may be useful in evaluating a City's short-term financing requirements. There are two fund financial statements, the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund statements focus on short-term inflows and outflows of expendable resources and their impact on fund balance.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Evansville maintains ten individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the Statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service and five Capital Projects funds. Data from the remaining three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements later in this report.

The City of Evansville adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3 through 6 of this report.

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric and water utilities (Water and Light Committee) and the sewer utility (Public Works Committee), which are considered to be major funds of the City of Evansville. The basic proprietary fund financial statements can be found on pages 7 through 11 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Evansville's programs. The fiduciary fund maintained by the City of Evansville is the Tax Collection Agency Fund which records the tax roll and tax collections for other taxing jurisdictions within the City of Evansville. The basic fiduciary fund financial statements can be found on page 12 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 40 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds and other information related to the individual funds are presented immediately following the required supplementary information. Individual fund statements and schedules can be found on pages 41 through 43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Table 1, below, provides a summary of the City's assets for the year ended December 31, 2007.

TABLE 1
City of Evansville Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 6,659,107	\$4,275,921	\$ 5,957,819	\$ 5,724,378	\$12,616,926	\$10,000,299
Capital assets	6,244,832	3,541,647	22,172,075	18,766,371	28,416,907	22,308,018
Total Assets	12,903,939	7,817,568	28,129,894	24,490,749	41,033,833	32,308,317
Long-term liabilities outstanding	8,787,310	2,896,611	8,054,810	5,711,734	16,842,120	8,608,345
Other liabilities	3,070,551	2,801,105	1,560,090	1,670,709	4,630,641	4,471,814
Total Liabilities	11,857,861	5,697,716	9,614,900	7,382,443	21,472,761	13,080,159
Net Assets:						
Invested in capital assets, net of related debt	127,060	612,574	13,157,597	12,808,239	13,284,657	13,420,813
Restricted	379,344	710,997	1,078,711	825,191	1,458,055	1,536,188
Unrestricted	539,674	796,281	4,278,686	3,474,875	4,818,360	4,271,156
Total Net Assets	\$ 1,046,078	\$2,119,852	\$18,514,994	\$17,108,305	\$19,561,072	\$19,228,157

A significant portion of the City's net assets (68%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure, etc.), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The restricted portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$4,818,360 may be used to meet the City's ongoing obligations to citizens and creditors.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Table 2, below, provides a summary of the City's operating results and their impact on net assets for the year ended December 31, 2007. In 2007, the governmental activities relied primarily on property taxes (44.7%), program revenues (37.2%) and state aids (12.3%) to fund its operations. Combined, these account for 94.2% of all revenues or \$4.19 million. Business-type activities relied primarily on program revenues to fund its operations. Utility charges accounted for 92.7% of business-type revenues. Capital grants and contributions were also another source of revenue for business-type activities contributing 4.4% of the total revenue. Combined, these account for 97.1% of all business-type revenues.

TABLE 2
City of Evansville's Change in Net Assets
2007 and 2006

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for services	\$ 785,643	\$ 700,639	\$ 6,908,775	\$ 5,565,750	\$ 7,694,418	\$ 6,266,389
Operating grants and contributions	587,382	338,825	-	-	587,382	338,825
Capital grants and contributions	282,361	48,061	331,133	1,584,706	613,494	1,632,767
General Revenues:					-	-
Property taxes	1,990,837	2,071,077	-	-	1,990,837	2,071,077
Grants and contributions not restricted to specific programs	546,101	558,809	-	-	546,101	558,809
Unrestricted Interest and Investment	255,566	204,188	188,709	209,010	444,275	413,198
Other- Gain on sale of capital assets	-	-	4,999	7,459	4,999	7,459
Other- Loss on sale of capital assets	-	(33,183)	-	-	-	(33,183)
Miscellaneous	4,858	(3,039)	21,766	23,381	26,624	20,342
Total Revenues	4,452,748	3,885,377	7,455,382	7,390,306	11,908,130	11,275,683
Expenses:						
General Government	862,172	809,917	-	-	862,172	809,917
Public Safety	1,378,706	1,308,966	-	-	1,378,706	1,308,966
Public Works	736,472	642,744	-	-	736,472	642,744
Health & human services	130,879	135,759	-	-	130,879	135,759
Recreation and education	555,177	521,688	-	-	555,177	521,688
Conservation and development	967,946	122,162	-	-	967,946	122,162
Interest on long-term debt	247,562	170,253	-	-	247,562	170,253
Capital Outlay	64,291	170,644	-	-	64,291	170,644
Electric and Water	-	-	6,148,774	4,963,015	6,148,774	4,963,015
Sewer	-	-	483,236	482,817	483,236	482,817
Total Expenses	4,943,205	3,882,133	6,632,010	5,445,832	11,575,215	9,327,965
Increase (decrease) in net assets before transfers	(490,457)	3,244	823,372	1,944,474	332,915	1,947,718
Transfers	(583,317)	228,569	583,317	(228,569)	-	-
Increase in Net Assets	(1,073,774)	231,813	1,406,689	1,715,905	332,915	1,947,718
Net Assets - January 1	2,119,852	1,888,039	17,108,305	15,392,400	19,228,157	17,280,439
Net Assets - December 31	\$1,046,078	\$ 2,119,852	\$18,514,994	\$17,108,305	\$19,561,072	\$19,228,157

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities: Governmental activities decreased the City's net assets by \$1,073,774. The key element of this decrease is the borrowing that occurred in 2007. Some of these borrowings are for developer incentives that are not capital assets. In addition, the City's TIF Districts incurred \$833,565 in capital costs for utility infrastructure.

Business-type activities: Business-type activities increased City of Evansville's net assets by \$1,406,689, which offset the decrease in Governmental activities and is responsible for the City's total growth of \$332,915 in net assets. Key elements of this increase are as follows:

- Charges for services for business-type activities increased \$1,341,825 over the previous year.
- The City received capital grants and contributions of \$613,394.

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds. The focus of City of Evansville's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of December 31, 2007, the City's governmental funds reported combined ending fund balances of \$3,804,820, an increase of \$2,103,680 from the prior year. Of the combined ending fund balance, \$2,652,450 or 70% constitutes *undesignated, unreserved fund balance* that is available for spending at the City's discretion. The remainder of fund balance is *reserved or designated* to indicate that it is not available for new spending because it has already been committed for non-major governmental fund spending (\$167,204), and \$317,392 for prepaid items, non-current receivables, and for applied funds to the 2007 budget.

The general fund is the chief operating fund of the City. At the end of the current year, unreserved/undesignated fund balance of the general fund was \$1,052,531, while total fund balance reached \$1,453,560. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 39.7% of total general fund expenditures, while total fund balance represents 54.9% of that same amount.

During the current year, the City's general fund balance increased by \$227,405. Key factors in this increase are as follows:

- The total revenues were \$150,552 over budgeted amounts.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

Proprietary funds. City of Evansville's proprietary funds provide the same type of information found in the City's government-wide financial statements, but in more detail.

Operating revenues were up \$1,371,047, or 24.6% from 2006. This is due to \$135,676 in additional water sales and \$1,275,304 in additional electric sales. Rate increases were approved in February for water and in August for electricity.

Operating expenses increased by \$1,133,810 or 21.7%. This was due primarily to \$665,274 in additional costs for purchase of electricity. Substation repairs, line maintenance, and WWTP engineering also had notable impacts.

The Water and Light Utility had an increase of net assets of \$712,346 in 2007 after deducting a transfer of \$250,248 to the City's General Fund. Net assets were \$11,702,252 as of December 31, 2007.

The Wastewater Treatment Plant Utility had an increase of net assets of \$694,344 in 2007. Net assets were \$6,812,743 as of December 31, 2007.

The Water and Light Utility's outstanding debt at December 31, 2007 was \$6,422,700, an increase of \$2,447,564 over the balance at December 31, 2006. Fixed assets, net of accumulated depreciation, of \$15,349,379 increased \$2,733,525 from 2006.

The Wastewater Treatment Plant Utility's outstanding debt at December 31, 2007 was \$1,529,627, a decrease of \$110,526 over the balance at December 31, 2006. Fixed assets, net of accumulated depreciation, of \$6,822,696 increased \$672,179 from 2006.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City of Evansville's general fund had an original budget of \$2,673,172 and a revised final budget of \$2,698,172, amounting to a \$25,000 increase in appropriations or a 1.0% increase over the original budget. Actual expenditures totaled \$2,646,371. Budgeted differences can be briefly summarized as follows:

- Actual expenditures were less than budgeted expenditures by \$51,801. Public Safety expenditures were less than the budgeted amount by \$39,407.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. City of Evansville's investment in capital assets for its governmental and business-type activities as of December 31, 2007, amounts to \$28,416,907 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, public domain infrastructure (highway and bridges), and construction in progress.

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Major capital asset events during the current fiscal year included the following:

Governmental activities:

- Remodel City Hall (\$208,640).
- Phone system and furniture for City Hall (\$25,088).
- Purchase of Post Office (\$200,000).
- Completion of Badger Drive project (\$153,462).
- New sidewalk (\$23,755).
- Creek wall restoration (\$15,983).
- Purchase of new field mower (\$45,200).
- Madison Street project, including sewer utility (\$276,124 CWIP).
- Main Street project, including sewer utility (\$1,048,728 CWIP).
- County Road M project, including sewer utility (\$495,941 CWIP).
- Several stormsewer projects (\$345,185 CWIP).

Business-type activities:

- The electric utility began work on the Townline Substation (\$1,392,038 CWIP).
- County Road M project, electric (\$411,581 CWIP).
- Other electric rebuilds (\$626,287 CWIP).
- Various water utility projects (\$498,609 CWIP).

City of Evansville Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Land	\$ 362,170	\$ 454,256	171,362	171,362	\$ 533,532	\$ 625,618
Infrastructure Work in Process	76,951	2,184,330	735,777	3,577,482	812,728	5,761,812
Other Work in Process	58,703	15,983	-	-	58,703	15,983
Depreciable Capital Assets	5,216,970	6,004,364	24,300,791	25,263,864	29,517,761	31,268,228
Total	\$ 5,714,794	\$ 8,658,933	\$ 25,207,930	\$ 29,012,708	\$ 30,922,724	\$ 37,671,641

Additional information on the City of Evansville's capital assets can be found in Note IV-B on pages 31-33 of this report.

Long-term debt. At the end of the current fiscal year, the City of Evansville had total debt outstanding of \$17,092,033. Of this amount, \$9,803,000 was backed by the full faith of the City.

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

City of Evansville Outstanding Debt General Obligation Debt

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General Obligation Debt:						
2000 GO Notes	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
2000 Refunding Notes	750,000	950,000	-	-	750,000	950,000
2001B Refunding Notes	-	-	-	115,000	-	115,000
2003A GO Notes	185,900	206,500	264,100	293,500	450,000	500,000
2003B GO Notes	257,000	277,000	513,000	593,000	770,000	870,000
2003 STFL	-	75,670	-	39,435	-	115,105
2005 GO Notes	1,498,882	1,521,940	126,118	128,060	1,625,000	1,650,000
2007 GO Comm. Dev. Bonds	930,000	-	-	-	930,000	-
2007 GO Comm. Dev. Bonds	2,860,000	-	-	-	2,860,000	-
2007 STFL	1,918,000	-	-	-	1,918,000	-
2007 STFL	500,000	-	-	-	500,000	-
Total	<u>\$ 8,899,782</u>	<u>\$ 3,081,110</u>	<u>\$ 903,218</u>	<u>\$ 1,168,995</u>	<u>\$ 9,803,000</u>	<u>\$ 4,250,105</u>

The City is not rated by Moody's Investors Service or any other rating agency for its general obligation debt.

Additional information on the City's long-term debt can be found in Note IV-D on pages 31-34 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City of Evansville's Mayor and Common Council adopted a general fund budget for the year 2008, which is an increase of 1.70% over the adopted budget of the previous year.
- The property tax rate increased from \$6.66053 to \$6.66535 per \$1000 assessed valuation.
- The largest increase was \$167,862 (42.3%) for additional debt service.
- Also significant in the budget was wages, including cost of living adjustments and a new position for the police department.
- The City's financial results are dependent on two main factors:
- Having sufficient growth in tax base from new construction to produce sufficient revenue to cover increased costs of current service levels without needing to increase the City's mill rate on assessed value.
- Being able to provide high-quality services to a growing population while putting off increases in staffing as long as possible.

All of these factors were considered in preparing the City's budget for the 2008 fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Evansville's finances. Questions, concerning any of the information provided in this report or requests for additional information should be addressed to the City of Evansville Finance Department, 31 South Madison Street, Evansville, Wisconsin, 53536. General information relating to the City of Evansville, Wisconsin, can be found at the City's website, <http://www.ci.evansville.wi.gov>.

**City of Evansville
Evansville, WI**

**Statement of Net Assets
December 31, 2007**

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and Investments	\$ 4,511,477	\$ 2,580,802	\$ 7,092,279	\$ 694,905
Restricted Cash	-	1,078,711	1,078,711	-
Receivables	2,560,829	1,417,128	3,977,957	164,085
Internal Balances	(513,169)	513,169	-	-
Inventories	-	227,081	227,081	-
Other assets	99,970	140,928	240,898	3,495
Capital Assets				
Land, improvements, and construction in progress	2,654,569	3,748,844	6,403,413	25,758
Other Capital Assets, net of depreciation	3,590,263	18,423,231	22,013,494	276,130
Total Capital Assets	<u>6,244,832</u>	<u>22,172,075</u>	<u>28,416,907</u>	<u>301,888</u>
Total Assets	<u>\$ 12,903,939</u>	<u>\$ 28,129,894</u>	<u>\$ 41,033,833</u>	<u>\$ 1,164,373</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 523,971	\$ 549,291	\$ 1,073,262	\$ 13,986
Deferred Revenues	2,122,103	700,636	2,822,739	-
Long-term liabilities				
Due within one year				
Bonds and notes	276,720	239,924	516,644	-
Accrued interest	116,690	54,551	171,241	-
Compensated Absences	31,067	15,688	46,755	11,248
Due in more than one year				
Bonds, and notes	8,623,062	7,952,327	16,575,389	-
Compensated absences	164,248	102,483	266,731	-
Total liabilities	<u>11,857,861</u>	<u>9,614,900</u>	<u>21,472,761</u>	<u>25,234</u>
NET ASSETS				
Invested in capital assets, net of related debt	127,060	13,157,597	13,284,657	301,888
Restricted for:				
Special Revenue	167,204	-	167,204	-
Debt Service	212,140	-	212,140	-
Other Purposes	-	1,078,711	1,078,711	41,623
Unrestricted	539,674	4,278,686	4,818,360	795,628
Total net assets	<u>1,046,078</u>	<u>18,514,994</u>	<u>19,561,072</u>	<u>1,139,139</u>
Total Liabilities and Net Assets	<u>\$ 12,903,939</u>	<u>\$ 28,129,894</u>	<u>\$ 41,033,833</u>	<u>\$ 1,164,373</u>

**City of Evansville
Evansville, WI**

**Statement of Activities
For the Year Ended December 31, 2007**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for	Operating	Capital Grants	Governmental	Primary Government	Component
Primary government							
Governmental Activities							
General Government	\$ 862,172	\$ 73,076	\$ -	\$ -	\$ (789,096)	\$ (789,096)	
Public Safety	1,378,706	383,631	17,649	-	(977,426)	(977,426)	
Public Works	736,472	198,114	234,421	-	(303,937)	(303,937)	
Health, Welfare and Sanitation	130,879	23,215	-	-	(107,664)	(107,664)	
Culture and Recreation	555,177	103,107	47,208	-	(404,862)	(404,862)	
Conservation and Development	967,946	4,500	288,104	-	(675,342)	(675,342)	
Interest on Long-term debt	247,562	-	-	-	(247,562)	(247,562)	
Capital Outlay	64,291	-	-	282,361	218,070	218,070	
Total governmental activities	4,943,205	785,643	587,382	282,361	(3,287,819)	(3,287,819)	
Business-type activities:							
Electric and Water	6,148,774	6,439,781	-	293,997	-	585,004	585,004
Sewer	483,236	468,994	-	37,136	-	22,894	22,894
Total business-type activities	6,632,010	6,908,775	-	331,133	-	607,898	607,898
Total primary government	\$ 11,575,215	\$ 7,694,418	\$ 587,382	\$ 613,494	(3,287,819)	(2,679,921)	
Component Units							
Housing Authority	\$ 432,392	\$ 58,394	\$ 389,061	\$ -			\$ 15,063
Total component units	\$ 432,392	\$ 58,394	\$ 389,061	\$ -			\$ 15,063
General revenues:							
Taxes:							
Property taxes, levied for general purposes					1,585,979	1,585,979	-
Property taxes, levied for debt service					396,939	396,939	-
Other taxes					7,919	7,919	-
Grants and contributions not restricted to specific programs					546,101	546,101	-
Unrestricted investment earnings					255,566	188,709	19,064
Miscellaneous					4,858	21,766	-
Special item - gain on disposal of asset					-	4,999	-
Transfers					(583,317)	583,317	-
Total general revenues, special items, and transfers					798,791	3,012,836	19,064
Change in net assets					(1,073,774)	332,915	34,127
Net assets - beginning					2,119,852	17,108,305	1,105,012
Net assets - ending					\$ 1,046,078	\$ 18,514,994	\$ 1,139,139

**City of Evansville
Evansville, WI**
**Balance Sheet
Governmental Funds
December 31, 2007**

	General Fund	Debt Service	Capital Projects	TIF 5	TIF 6	TIF 7	TIF 8	Non-Major Funds	Total Governmental Funds
ASSETS									
Cash and Cash Equivalents	\$ 568,808	\$ 53,104	\$ -	\$ 38,275	\$ 588,956	\$2,235,756	\$ 566,603	\$ 459,975	\$ 4,511,477
Receivables:									
Taxes	1,074,397	564,801	81,000	64,030	9,985	-	-	352,705	2,146,918
Special Assessments	195,138	166,337	-	-	-	-	-	-	361,475
Accounts	-	-	-	-	-	-	-	37,311	37,311
Other	15,127	-	-	-	-	-	-	-	15,127
Due from Other Funds	676,738	137,275	-	-	-	-	-	-	814,013
Prepaid Expenses	26,964	-	-	-	-	-	-	3,562	30,526
Advances Receivable	317,392	-	-	-	432,353	-	-	-	749,745
Total Assets	<u>\$ 2,874,564</u>	<u>\$ 921,517</u>	<u>\$ 81,000</u>	<u>\$ 102,305</u>	<u>\$ 1,031,294</u>	<u>\$2,235,756</u>	<u>\$ 566,603</u>	<u>\$ 853,553</u>	<u>\$ 8,666,592</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts Payable	\$ 81,130	\$ -	\$ 39,574	\$ 98,895	\$ 22,717	\$ -	\$ -	\$ 12,907	\$ 255,223
Accrued Liabilities	67,702	-	-	-	-	-	-	14,985	82,687
Due to Other Funds	36,525	5,809	218,176	-	154,795	-	-	-	415,305
Deferred Revenue	1,235,647	703,568	81,000	64,030	9,985	-	-	352,705	2,446,935
Advances Payable	-	-	432,353	1,125,418	100,000	-	-	3,851	1,661,622
Total Liabilities	<u>1,421,004</u>	<u>709,377</u>	<u>771,103</u>	<u>1,288,343</u>	<u>287,497</u>	<u>-</u>	<u>-</u>	<u>384,448</u>	<u>4,861,772</u>
Fund Balance:									
Reserved	317,392	-	-	-	-	-	-	167,204	484,596
Designated	83,637	212,140	59,060	-	-	-	-	312,937	667,774
Unreserved/Undesignated	1,052,531	-	(749,163)	(1,186,038)	743,797	2,235,756	566,603	(11,036)	2,652,450
Total Fund Balance	<u>1,453,560</u>	<u>212,140</u>	<u>(690,103)</u>	<u>(1,186,038)</u>	<u>743,797</u>	<u>2,235,756</u>	<u>566,603</u>	<u>469,105</u>	<u>3,804,820</u>
Total Liabilities and Fund Balance	<u>\$ 2,874,564</u>	<u>\$ 921,517</u>	<u>\$ 81,000</u>	<u>\$ 102,305</u>	<u>\$ 1,031,294</u>	<u>\$2,235,756</u>	<u>\$ 566,603</u>	<u>\$ 853,553</u>	<u>\$ 8,666,592</u>

See accompanying notes to the basic financial statements

**City of Evansville
Evansville, WI**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
December 31, 2007**

Total fund balance, governmental funds	\$	3,804,820
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		6,244,832
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Assets. This amount represents unamortized debt issuance costs.		69,444
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Special assessment receivables are fully accrued and recognized as revenue when the receivable is established for the governmental activities of the Statement of Net Assets. They are reported as deferred revenue to the extent the are not available		138,769
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Some liabilities, (such as Notes Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.

General Obligation debt	8,899,782		
Compensated absences	195,315		
Accrued interest	116,690		
	<u> </u>		(9,211,787)

Net Assets of Governmental Activities in the Statement of Net Assets		<u>\$ 1,046,078</u>
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See accompanying notes to the basic financial statements

City of Evansville
Evansville, WI

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General Fund	Debt Service	Capital Projects	TIF 5	TIF 6	TIF 7	TIF 8	Non-Major Funds	Total Governmental Funds
REVENUES									
Property Taxes	\$ 1,057,647	\$ 396,939	\$ 119,485	\$ 44,058	\$ -	\$ -	\$ -	\$ 359,569	\$ 1,977,698
Other Taxes	13,673	-	-	-	-	-	-	-	13,673
Special Assessment Revenue	-	32,799	-	-	-	-	-	-	32,799
Intergovernmental	787,379	-	-	-	-	-	-	-	787,379
License and Permits	92,654	-	-	520,235	-	-	-	101,470	1,409,084
Fines, Forfeits and Penalties	95,393	-	-	-	-	-	-	-	92,654
Public Charges for Services	296,999	-	1,400	-	-	-	-	-	95,393
Interest Income	239,952	6,408	5,456	-	-	-	-	225,543	523,942
Miscellaneous Income	28,727	-	-	-	-	-	-	4,775	256,591
Total Revenues	2,612,424	436,146	126,341	564,293	-	-	-	2,401	31,128
								693,758	4,432,962
EXPENDITURES									
Current:									
General Government	628,190	-	-	37,075	185,948	-	-	-	851,213
Public Safety	1,037,388	-	-	-	-	-	-	275,364	1,312,752
Public Works	624,367	-	-	-	-	-	-	-	624,367
Health and Human Services	34,358	-	-	-	-	-	-	93,029	127,387
Culture, Recreation and Education	255,513	-	-	-	-	-	-	238,187	493,700
Conservation and Development	66,555	-	-	783,000	-	-	-	-	849,555
Capital Outlay	-	-	1,348,575	1,982,364	242,950	387,685	14,647	-	3,976,221
Principal Repayment	-	389,328	-	-	-	-	-	-	389,328
Interest Expense	-	163,007	-	-	-	-	-	-	163,007
Total Expenditures	2,646,371	552,335	1,348,575	2,802,439	428,898	387,685	14,647	606,580	8,787,530
Excess (Deficiency) of Revenues Over Expenditures	(33,947)	(116,189)	(1,222,234)	(2,238,146)	(428,898)	(387,685)	(14,647)	87,178	(4,354,568)
OTHER FINANCING SOURCES (USES)									
Proceeds from Long-Term Debt	-	-	-	1,685,000	1,238,750	2,703,000	581,250	-	6,208,000
Transfers In	261,352	96,881	-	-	68,970	-	-	-	427,203
Transfers Out	-	-	-	(59,234)	(12,005)	(79,559)	-	(26,157)	(176,955)
Total Other Financing Sources and Uses	261,352	96,881	-	1,625,766	1,295,715	2,623,441	581,250	(26,157)	6,458,248
Net Change in Fund Balances	227,405	(19,308)	(1,222,234)	(612,380)	866,817	2,235,756	566,603	61,021	2,103,680
Fund Balances - Beginning	1,226,155	231,448	532,131	(573,658)	(123,020)	-	-	408,084	1,701,140
Fund Balances - Ending	\$ 1,453,560	\$ 212,140	\$ (690,103)	\$ (1,186,038)	\$ 743,797	\$ 2,235,756	\$ 566,603	\$ 469,105	\$ 3,804,820

See accompanying notes to the basic financial statements

City of Evansville
Evansville, WI

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to
the Statement of Activities
For the Year Ended December 31, 2007**

Net change in fund balances - total governmental funds: \$ 2,103,680

Amounts reported for Governmental Activities in the Statement of Activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital outlay reported in governmental fund statements	2,944,139	
Depreciation expenses reported in the statement of activities	<u>(240,954)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		2,703,185

Vested employee benefits are reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities.

Amounts paid are less than amount accrued by	(43,138)
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Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.

Debt proceeds for the year	(6,208,000)	
The amount of long-term debt principal payments in the current year is:	<u>389,328</u>	(5,818,672)

In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.

Interest paid is (less) than interest accrued by	(81,589)
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In governmental funds, special assessments are reported as revenue when measurable and available. In the statements of activities, special assessment revenue is reported as revenue when earned.

Special assessments recorded as revenue in the statement of activities but not in the fund statements.	9,395
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Debt issuance costs reported on governmental fund statements but deferred and amortized on statement of activities.	53,365
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Change in net assets of governmental activities	<u>\$ (1,073,774)</u>
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See accompanying notes to the basic financial statements

**City of Evansville
Evansville, WI**

**Statement of Net Assets
Proprietary Funds
December 31, 2007**

	<u>Enterprise Funds</u>		
	<u>Electric and Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,825,602	\$ 755,200	\$ 2,580,802
Receivables			
Special Assessments	1,788	-	1,788
Accounts	1,116,804	-	1,116,804
Due from Other Funds	436,480	8,979	445,459
Inventories	227,081	-	227,081
Prepaid Expenses	18,782	3,276	22,058
Total Current Assets	<u>3,626,537</u>	<u>767,455</u>	<u>4,393,992</u>
Restricted:			
Restricted Cash and Cash Equivalents	499,293	579,418	1,078,711
Total Restricted Assets	<u>499,293</u>	<u>579,418</u>	<u>1,078,711</u>
Capital Assets:			
Land and Improvements	76,448	94,914	171,362
Construction Work in Progress	2,920,709	656,773	3,577,482
Other Capital Assets	17,404,645	7,859,219	25,263,864
Less Accumulated Depreciation	<u>(5,052,423)</u>	<u>(1,788,210)</u>	<u>(6,840,633)</u>
Net Capital Assets	<u>15,349,379</u>	<u>6,822,696</u>	<u>22,172,075</u>
Noncurrent Assets			
Advances Receivable	684,540	227,337	911,877
Unamortized Debt Discount	118,870	-	118,870
Special Assessments	-	298,536	298,536
Total Noncurrent Assets	<u>803,410</u>	<u>525,873</u>	<u>1,329,283</u>
Total Assets	<u>\$ 20,278,619</u>	<u>\$ 8,695,442</u>	<u>\$ 28,974,061</u>

See accompanying notes to the basic financial statements

**City of Evansville
Evansville, WI**

**Statement of Net Assets
Proprietary Funds
December 31, 2007**

	<u>Enterprise Funds</u>		
	<u>Electric and Water</u>	<u>Sewer</u>	<u>Total</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 473,319	\$ 16,165	\$ 489,484
Accrued Liabilities	104,537	9,821	114,358
Due to Other Funds	647,874	196,293	844,167
Compensated Absences	14,714	974	15,688
Current Portion of Long-Term Debt:			
Bonds and Notes Payable	129,400	110,524	239,924
Total Current Liabilities	<u>1,369,844</u>	<u>333,777</u>	<u>1,703,621</u>
Non-Current Liabilities:			
Long-Term Debt			
Bonds and Notes Payable	6,422,700	1,529,627	7,952,327
Total Long-Term Debt	<u>6,422,700</u>	<u>1,529,627</u>	<u>7,952,327</u>
Other Liabilities			
Compensated Absences	83,188	19,295	102,483
Construction Advances	152,443	-	152,443
Deferred Revenue including regulatory credit	548,192	-	548,192
Total Other Liabilities	<u>783,823</u>	<u>19,295</u>	<u>803,118</u>
Total Non-Current Liabilities	<u>7,206,523</u>	<u>1,548,922</u>	<u>8,755,445</u>
Total Liabilities	<u>8,576,367</u>	<u>1,882,699</u>	<u>10,459,066</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,962,626	4,363,320	12,325,946
Restricted Assets	499,293	579,418	1,078,711
Unrestricted	3,240,333	1,870,005	5,110,338
Total Net Assets	<u>11,702,252</u>	<u>6,812,743</u>	<u>18,514,995</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 20,278,619</u>	<u>\$ 8,695,442</u>	<u>\$ 28,974,061</u>

See accompanying notes to the basic financial statements

**City of Evansville
Evansville, WI**

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2007**

	Enterprise Funds		
	Electric and Water	Sewer	Total
REVENUES			
Charges for Services	\$ 6,426,477	\$ 506,494	\$ 6,932,971
Other Operating Revenues	290	-	290
Total Operating Revenues	<u>6,426,767</u>	<u>506,494</u>	<u>6,933,261</u>
OPERATING EXPENSES			
Operation and Maintenance	5,408,674	286,029	5,694,703
Depreciation	505,821	155,377	661,198
Total Operating Expenses	<u>5,914,495</u>	<u>441,406</u>	<u>6,355,901</u>
Operating Income (Loss)	<u>512,272</u>	<u>65,088</u>	<u>577,360</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and Investment Revenue	154,916	33,429	188,345
Miscellaneous Non-Operating Revenue	17,842	-	17,842
Interest Expense	(234,107)	(41,829)	(275,936)
Amortization Revenue (Expense)	21,765	-	21,765
Total Non-Operating Revenue (Expenses)	<u>(39,584)</u>	<u>(8,400)</u>	<u>(47,984)</u>
Income (Loss) Before Contributions and Transfers	472,688	56,688	529,376
Capital Contributions	489,906	637,656	1,127,562
Transfers Out	(250,248)	-	(250,248)
Change in Net Assets	<u>712,346</u>	<u>694,344</u>	<u>1,406,690</u>
Total Net Assets - Beginning	10,989,906	6,118,399	17,108,305
Total Net Assets - Ending	<u>\$ 11,702,252</u>	<u>\$ 6,812,743</u>	<u>\$ 18,514,995</u>

See accompanying notes to the basic financial statements

**City of Evansville
Evansville, WI**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007**

	Enterprise Funds		
	Electric & Water	Sewer	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers	\$ 6,192,945	\$ 507,234	\$ 6,700,179
Payments to suppliers	(5,434,641)	(86,792)	(5,521,433)
Payments to employees	(527,796)	(75,961)	(603,757)
Taxes paid	(250,248)	-	(250,248)
Net cash provided (used) by operating activities	(19,740)	344,481	324,741
<u>Cash Flows From Capital and Related</u>			
<u>Financing Activities:</u>			
Acquisition and construction of plant assets	(3,245,643)	(821,259)	(3,245,643)
Principal payments on long-term debt	(315,655)	(147,046)	(462,701)
Interest and fiscal charges	(234,107)	(41,829)	(275,936)
Contributions for plant in service	489,906	637,656	1,127,562
Net cash provided (used) for capital and related financing activities	(690,499)	(372,478)	(241,718)
<u>Cash Flows From Investing Activities:</u>			
Interest on investments	154,916	33,429	188,345
Net cash provided (used) for investing activities	154,916	33,429	188,345
Net increase (decrease) in cash and equivalents	(555,323)	5,432	271,368
Cash and equivalents - beginning of year	2,880,218	1,329,186	4,209,404
Cash and equivalents - end of year	<u>\$ 2,324,895</u>	<u>\$ 1,334,618</u>	<u>\$ 4,480,772</u>

See accompanying notes to the basic financial statements

**City of Evansville
Evansville, WI**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007**

	Enterprise Funds		
	Electric & Water	Sewer	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 512,272	\$ 65,088	\$ 577,360
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Other Revenues	39,606	-	39,606
Amortization	(59,783)	-	(59,783)
Tax equivalent	(250,248)	-	(250,248)
Depreciation	505,821	155,377	661,198
Joint meter allocation	6,297	(6,297)	-
Changes in Assets and Liabilities:			
Receivables	(233,822)	740	(233,082)
Due to/from other funds	(69,708)	125,336	55,628
Inventories	(25,558)	-	(25,558)
Prepays	(81)	(287)	(368)
Accounts payable	(10,491)	217	(10,274)
Other Accrued liabilities	86,124	4,307	90,431
Net cash provided (used) by operating activities	<u>\$ (19,740)</u>	<u>\$ 344,481</u>	<u>\$ 324,741</u>
Reconciliation of cash and cash equivalents to balance sheet accounts			
Cash and investments	\$ 1,825,602	\$ 755,200	\$ 2,580,802
Restricted assets	499,293	579,418	1,078,711
Total Cash and Investments	<u>2,324,895</u>	<u>1,334,618</u>	<u>3,659,513</u>
Cash and cash equivalents- End of year	<u>\$ 2,324,895</u>	<u>\$ 1,334,618</u>	<u>\$ 3,659,513</u>
Schedule of non-cash activity			
Plant financed by contributions	<u>\$ 489,906</u>	<u>\$ 637,656</u>	<u>\$ 1,127,562</u>

See accompanying notes to the basic financial statements

**City of Evansville
Evansville, WI**

**Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2007**

	<u>Tax Agency</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,963,064
Receivables:	
Taxes Receivable	3,416,050
Total Assets	<u>\$ 5,379,114</u>
 LIABILITIES	
Due to Other Governments	\$ 5,379,114
Total liabilities	<u>\$ 5,379,114</u>

See accompanying notes to the basic financial statements

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

I. NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Evansville, Wisconsin conform to U.S. generally accepted accounting principles as applicable to governmental units.

A. REPORTING ENTITY

This report includes all of the funds of the City of Evansville. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

The combined financial statements exclude the Evansville School District because the City does not have oversight responsibility over these entities.

Discretely Presented Component Unit

The Evansville Housing Authority

The Housing Authority is a legally separate organization. The City mayor appoints the board of the Housing Authority. Wisconsin Statutes provide for circumstances whereby the City can impose its will on the Housing Authority, and also create a potential financial benefit to or burden on the City. The financial statements of the Housing Authority have been added to the City's statements as a discretely presented component unit. This information can be found on the Statement of Net Assets and the Statement of Activities. The Authority issues separate financial statements. These can be obtained by contacting the Housing Authority.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

"Government-wide" financial statements are basic financial statements required for all governmental units. The statement of net assets and the statement of activities are the two required statements. Both statements are prepared on the full accrual basis. In accordance with accounting standards for governmental units, the city uses the modified accrual basis of accounting for certain funds. The modified accrual basis of accounting is the appropriate basis of accounting for governmental activity fund financial statements.

In addition, all funds in the fund financial statements are reported as business-type activities, governmental activities or fiduciary funds. The definitions for these types of activities are discussed in other portions of Note I.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, the new standard concentrates on major funds versus non-major funds.

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues included 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into individual funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the City believes is particularly important to financial statement users may be reported as a major fund.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

The City reports the following major governmental funds:

Major Governmental

General Fund – accounts for the City’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than TID or enterprise debt.

Capital Projects Fund – accounts for proceeds from long-term borrowings and other resources to be used for capital improvement projects.

Tax Increment Financing District s #5-8 - account for proceeds from long-term borrowings and other resources to be used for capital improvement projects in the TIF boundaries. The City wants to report all TIF Districts as major.

The City reports the following major enterprise funds:

Major Enterprise Funds

Electric and Water Utility – accounts for the operations of the electric and water system.

Sewer Utility – accounts for the operations of the sewer system.

The city reports the following non-major governmental funds:

Non-Major Governmental Funds

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Emergency Medical Services Fund

Eager Free Public Library Fund

Cemetery Fund

Permanent Trust Funds – used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the specific program.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

In addition, the City reports the following fund types:

Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The Tax Collection Agency Fund is accounted for in the Agency Fund.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Government-Wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water, electric and sewer utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Fund Financial Statements (Continued)

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City, which are not available, are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Special assessments are recognized as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues. Delinquent special assessments being held for collection by the county are reported as receivables and reserved fund balance in the debt service fund.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments, and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The City reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year, which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as described previously in this note.

The proprietary funds follow all pronouncements of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the water, electric, and sewer utilities are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and Investments

The City has pooled the cash resources of its funds in order to maximize investment opportunities. Each fund's portion of total cash and investments is reported as cash and cash equivalents/investments by the City's individual major funds, and in the aggregate for non-major and agency funds.

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances.

See footnote III A for additional information.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2007, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund balance sheet.

Property tax calendar – 2007 tax roll:

Lien date and levy date	December 2007
Tax bills mailed	December 2007
Payment in full, or	January 31, 2008
First installment due	January 31, 2008
Second installment due	July 31, 2008
Personal property taxes in full	January 31, 2008

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible utility accounts receivable has been made for the water, electric and sewer utilities because they have the right by law to place delinquent bills on the tax roll.

A provision for uncollectible ambulance accounts receivable of \$15,990 has been made.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds”. Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds”. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

3. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction, operation and maintenance expense when used.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

3. Inventories and Prepaid Items (Continued)

Inventories are valued at the lower of cost (first-in, first-out) or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net assets. The City had the following restricted cash accounts:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Electric and water	\$ 290,518	Bond reserve 2005
Electric and water	208,775	Bond reserve 2007
Sewer	225,727	Hook-up fee
Sewer	353,691	Replacement fee
	<u>\$ 1,078,711</u>	

5. Capital Assets

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$5,000 for infrastructure assets, and an estimated useful life in excess of 1 year for general capital assets and infrastructure assets. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Prior to January 2004, infrastructure assets of governmental funds were not capitalized. After 1/1/04, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is not required. The City has not retroactively reported all infrastructure acquired by its governmental fund types. The infrastructure reported only includes additions since January 1, 2004.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. There was no interest required to be capitalized during the current year. The cost of

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

5. Capital Assets (Continued)

renewals and betterments relating to retirement units are added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	20-50 Years
Improvements	10-50 Years
Machinery and Equipment	3-50 Years
Infrastructure	25-50 Years
Water Utility	6.67-150 Years
Electric Utility	6.67-40 Years
Sewer Utility	5-100 Years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Deferred Debt Issuance Costs

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the period of the outstanding debt. The unamortized discount in the statement of net assets for the governmental activities is \$69,444.

7. Compensated Absences

Under terms of employment, City employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or are payable with expendable available resources.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

7. Compensated Absences (Continued)

The balance in compensated absences is as follows:

	Government	Business-type
Compensated time-off liability	\$ 12,431	\$ 4,757
Year-end excess sick hours liability	2,776	6,464
Health insurance retirement liability	49,836	21,601
Sick leave terminate liability	114,412	80,882
Vacation and holiday liability	15,860	4,467
	<u>\$ 195,315</u>	<u>\$ 118,171</u>

City employees earn sick leave at various rates depending on the union or nonunion contracts. Employees can accumulate sick leave as follows:

Police	1,080 hours
DPW, Water & Light, Clerical	720 hours
Library	720 hours

One-half the accumulation in excess of 1,080 or 720 hours may be payable in cash at the end of each year or paid for health insurance in retirement at the option of the employee. Sick Leave is payable upon termination at their current pay rate times one-half the accumulated sick days up to a maximum number of hours listed above.

8. Long-Term Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bond payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

10. Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

When both restricted and unrestricted resources are available for us, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

E. REVENUE RECOGNITION – ENTERPRISE FUNDS

The City of Evansville Sewer Utility user charges are regulated and established by the City Council. The City of Evansville Electric and Water Utilities operate under service rules, which are established by the Public Service Commission of Wisconsin. Rates charged are regulated by the Public Service Commission. Billings are made to customers on a monthly basis for water, electric, and sewer service.

F. INCOME TAXES

The City of Evansville Utilities are municipal utilities. Municipal utilities are exempt from income taxes and therefore no income tax liability is recorded.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for all governmental funds of the City.

The budgeted amounts include any amendments made. Transfers between departments and changes to the overall budget must be approved by City Council. Appropriations lapse at year-end unless specifically carried over. Carryovers to the following year were \$0 for the general fund. There were carryovers in the capital projects fund shown as designated fund balance.

Limitations on the City Tax Levy

As part of Wisconsin's Act 25 (2005), legislation was passed that limits the city's future tax levies. In 2007 this legislation was amended and extended. Generally, the city is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the greater of the percentage change in the city's equalized value due to new construction, or 3.86% for the 2007-2008 tax year and 2% for the 2008-2009 tax year. Changes in debt service from one year to the next are generally exempt from this limit. The levy limit begins with the 2007 levy collected in 2008 and is set to expire after the 2009 levy.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Some individual expenditure line items experienced expenditures which exceeded appropriations. The detail of those items can be found in the City's year-end budget to actual report.

C. TAX INCREMENTAL FINANCING DISTRICTS

The City has four Tax Incremental Districts (TID). The transactions of the Districts are shown in the Capital Projects and Special Revenue Funds. TIDs are authorized by Section 66.1105 of the Wisconsin Statutes. It is a method by which the City can recover its project costs in designated districts of the City. Those costs are recovered through tax increments, which are placed on the tax rolls.

NOTE III- DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents/Investments

As previously discussed, cash for all City funds is pooled for investment purposes with the exception of a separate checking account for the tax agency. At December 31, 2007, the cash and investments consist of the following:

Petty cash/cash on hand	\$ 1,287
Deposits with financial institutions	9,932,061
Wisconsin Local Government Investment Pool	154,971
RESCO stock certificates	19,111
Mutual fund	26,624
	<u>\$ 10,134,054</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

A. Cash and Cash Equivalents/Investments (continued)

Cash and investments as of December 31, 2007 are classified in the accompanying financial statements as follows:

Statement of Net Assets:

Cash and investments	\$ 7,092,279
Restricted cash	1,078,711

Fiduciary Funds:

Cash and investments	1,963,064
	<u>\$ 10,134,054</u>

Investments Authorized by Wisconsin Statutes

Investment of City funds is restricted by State statutes. Available investments are limited to:

- (1) Deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in this State if the time deposits mature in not more than three years;
- (2) Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government;
- (3) Bonds or securities of any county, drainage district, VTAE district, village, city, town, district or school district of this State;
- (4) Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's investor service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating;
- (5) Bonds or securities issued under the authority of the municipality;
- (6) The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes;
- (7) Agreements in which a public depository agrees to repay funds advanced to it by the City plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
- (8) Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- (9) Repurchase agreements with public depositories, with certain conditions.
- (10) Bonds issued by the University of Wisconsin Hospital and Clinics Authority.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity its fair value has to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure of fair value losses arising from increasing interest rates. The City has \$154,971 invested in the Local Government Investment Pool (LGIP) which

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

A. Cash and Cash Equivalents/Investments (continued)

has a weighted average maturity of 27 days. The City has Certificates of Deposit of \$186,516 that mature at varying dates. The average maturity is 9 months and only one CD for \$1,223 matures past 12 months.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investments choices. As of December 31, 2007, the City's investment in the Wisconsin Local Government Investment Pool was not rated. On a scale of one to five stars, the Mutual Fund was rated four stars by Morningstar Ratings.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the City would not be able to recover the value of its investment of collateral securities that are in the possession of another party. The City does not have an investment policy for custodial credit risk.

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for demand accounts and \$100,000 for time restricted accounts. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2007, the fair value of the City's share of the LGIP's assets was substantially equal to the amount reported above. Information on derivatives was not available to the City.

Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities, acquired by the pool. The bond provides up to \$500,000 coverage on principal losses, reduced by any FDIC, State of Wisconsin Guarantee Fund insurance and income on the investment during the calendar quarter a loss occurs.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

A. Cash and Cash Equivalents/Investments (continued)

As of December 31, 2007, \$ 5,426,733, of the City's deposits with financial institutions in excess of federal depository insurance limits were exposed to custodial credit risk as follows:

Uninsured and uncollateralized, privately insured	\$ 1,693,304
Uninsured and collateralized	3,550,000
Uninsured and uncollateralized	183,429
Total in excess of FDIC	<u>\$ 5,426,733</u>

B. CAPITAL ASSETS

Capital asset activity in the governmental activities for the year ended December 31, 2007 was as follows:

	Balance 1/1/07	Additions	Retirements	Balance 12/31/07
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 362,170	\$ 92,086	\$ -	\$ 454,256
Infrastructure CWIP	76,951	2,328,223	- (220,844)	2,184,330
Construction in Process	58,703	17,601	- (60,321)	15,983
Total Non-Depreciable Capital Assets	<u>497,824</u>	<u>2,437,910</u>	<u>(281,165)</u>	<u>2,654,569</u>
Capital Assets being Depreciated				
Land improvements	377,528	23,755		401,283
Buildings and structures	1,780,571	399,396		2,179,967
Equipment	1,728,278	84,391		1,812,669
Infrastructure	1,330,593	279,852	-	1,610,445
Total Capital Assets being Depreciated	<u>5,216,970</u>	<u>787,394</u>	<u>-</u>	<u>6,004,364</u>
Total Capital Assets	5,714,794	3,225,304	(281,165)	8,658,933
Less Accumulated Depreciation	<u>(2,173,147)</u>	<u>(240,954)</u>	<u>-</u>	<u>(2,414,101)</u>
Capital Assets Net of Depreciation	<u>\$3,541,647</u>	<u>\$2,984,350</u>	<u>\$ (281,165)</u>	<u>\$6,244,832</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

General Government	\$ 29,226
Public Safety	42,881
Public Works	107,404
Health and Human Services	3,096
Culture, Recreation and Education	<u>58,347</u>

Total Governmental Activities Depreciation Expense	<u>\$ 240,954</u>
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CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

B. CAPITAL ASSETS (Continued)

	Balance 1/1/07	Additions	Retirements	Balance 12/31/07
Electric and Water				
Non-Depreciable Capital Assets:				
Land	\$ 76,448	\$ -	\$ -	\$ 76,448
Construction in progress	735,777	2,686,908	(501,976)	2,920,709
Total Non-Depreciable Capital Assets	812,225	2,686,908	(501,976)	2,997,157
Capital Assets being Depreciated				
Buildings and structures	462,622	-	-	462,622
Equipment	1,089,021	60,231	(13,849)	1,135,403
Infrastructure	15,001,023	1,000,521	(194,924)	15,806,620
Total Capital Assets being Depreciated	16,552,666	1,060,752	(208,773)	17,404,645
Total Capital Assets	17,364,891	3,747,660	(710,749)	20,401,802
Less Accumulated Depreciation	(4,749,037)	(512,118)	208,732	(5,052,423)
Capital Assets Net of Depreciation	<u>\$ 12,615,854</u>	<u>\$ 3,235,542</u>	<u>\$ (502,017)</u>	<u>\$ 15,349,379</u>
	Balance 1/1/07	Additions	Retirements	Balance 12/31/07
Wastewater Treatment:				
Non-Depreciable Capital Assets:				
Land	\$ 94,914	\$ -	\$ -	\$ 94,914
Construction in progress	-	656,773	-	656,773
Capital Assets being Depreciated	94,914	656,773	-	751,687
Buildings and structures	1,472,996	-	(24,359)	1,448,637
Equipment	1,258,445	83,404	(8,763)	1,333,086
Infrastructure	5,016,684	81,082	(20,270)	5,077,496
Total Capital Assets being Depreciated	7,748,125	164,486	(53,392)	7,859,219
Total Capital Assets	7,843,039	821,259	(53,392)	8,610,906
Less Accumulated Depreciation	(1,692,522)	(149,080)	53,392	(1,788,210)
Capital Assets Net of Depreciation	<u>\$ 6,150,517</u>	<u>\$ 672,179</u>	<u>\$ -</u>	<u>\$ 6,822,696</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

B. CAPITAL ASSETS (Continued)

	Balance 1/1/07	Additions	Retirements	Balance 12/31/07
Business-Type Activities				
Non-Depreciable Capital Assets:				
Land	\$ 171,362	\$ -	\$ -	\$ 171,362
Construction in progress	735,777	3,343,681	(501,976)	3,577,482
Total Non-Depreciable Capital Assets	907,139	3,343,681	(501,976)	3,748,844
Capital Assets being Depreciated				
Buildings and structures	1,935,618	-	(24,359)	1,911,259
Equipment	2,347,466	143,635	(22,612)	2,468,489
Infrastructure	20,017,707	1,081,603	(215,194)	20,884,116
Total Capital Assets being Depreciated	24,300,791	1,225,238	(262,165)	25,263,864
Total Capital Assets	25,207,930	4,568,919	(764,141)	29,012,708
Less Accumulated Depreciation	(6,441,559)	(661,198)	262,124	(6,840,633)
Capital Assets Net of Depreciation	<u>\$ 18,766,371</u>	<u>\$ 3,907,721</u>	<u>\$ (502,017)</u>	<u>\$ 22,172,075</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Water	\$ 166,049
Electric	346,069
Sewer	149,080
Total Business-Type Activities Depreciation Expense	<u>\$ 661,198</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

C. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount	Purpose
General	Electric and Water	\$ 507,429	Operations
General	Capital	169,309	Capital
Debt service	Electric and Water	137,275	Debt
Electric and water	General	36,525	Operations
Electric and water	Sewer	196,293	Operations
Electric and water	Capital	48,867	Capital
Electric and water	TIF 6	154,795	Capital
Sewer	Electric and Water	3,170	Operations
Sewer	Debt service	5,809	Debt
Subtotal fund financial statements		<u>\$ 1,259,472</u>	

Advances

Receivable Fund	Payable Fund	Amount	Purpose
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The principal purpose of these interfunds is due to pooled cash between the governmental funds. In addition, the general fund collects delinquent utility charges that the utilities have placed on the current tax roll. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between funds are made.

Interfund Advances

The City has the following interfund advances outstanding:

General	Library	\$ 3,851	Operations
General	TIF 5	213,541	Capital
TIF 6	Capital	432,353	Capital
General	TIF 6	100,000	Capital
Subtotal general		<u>749,745</u>	
Electric and water	TIF 5	684,540	
Sewer	TIF 5	227,337	
Subtotal fund financial statements		<u>\$ 1,661,622</u>	
Total interfund receivables		\$ 1,259,472	
Total inter-fund advances		1,661,622	
less inter-fund eliminations		<u>(2,406,625)</u>	
Internal balances		<u>\$ 514,469</u>	

None of the advances are set up for repayment. The interest rate between the TIF 5 Special Revenue Fund and General Fund advances is 1.5% per year. No interest rates exist on the other advances. The advances to the TIF district are anticipated to be repaid from future tax increment.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

C. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (Continued)

For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

The following is a schedule of interfund transfers:

Transferred to	Transferred from	Amount	Purpose
General	Library	\$ 3,000	Operations
General	TIF 5	8,104	Debt payments
General	Electric and Water	250,248	Tax equivalent
Debt service	TIF 5	51,130	Debt payments
Debt service	TIF 6	12,005	Debt payments
Debt service	TIF 7	10,589	Debt payments
Debt service	EMS	23,157	Debt payments
TIF 6	TIF 7	68,970	Capital costs
Subtotal fund statements		427,203	
less City transfers for utility capital		(833,565)	
less inter-fund eliminations		(176,955)	
Total per government-wide statements		<u>\$ (583,317)</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2007 was as follows:

	Balance 1/1/07	Issued	Retired	Balance 12/31/07
Governmental Activities				
General obligation notes	\$ 3,005,440	\$ 6,208,000	\$ (313,658)	\$ 8,899,782
State trust fund loans	75,670	-	(75,670)	-
Total Governmental General Obligation Debt	<u>3,081,110</u>	<u>6,208,000</u>	<u>(389,328)</u>	<u>8,899,782</u>
Compensated absences	152,177	43,138	-	195,315
Total Governmental Long-Term Debt	<u>\$ 3,233,287</u>	<u>\$ 6,251,138</u>	<u>\$ (389,328)</u>	<u>\$ 9,095,097</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

D. LONG-TERM OBLIGATIONS (Continued)

	Balance 1/1/07	Issued	Retired	Balance 12/31/07
Business-Type Activities				
General obligation notes	\$ 1,129,560	\$ -	\$ (226,342)	\$ 903,218
State trust fund loans	39,435	-	(39,435)	-
Mortgage Revenue Bonds	4,789,137	2,615,000	(115,104)	7,289,033
Total bonds and notes	5,958,132	2,615,000	(380,881)	8,192,251
Compensated absences	112,017	6,154	-	118,171
Total Business-Type Activities	\$ 6,070,149	\$ 2,621,154	\$ (380,881)	\$ 8,310,422

GENERAL OBLIGATION DEBT

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2007, was \$16,158,530. Total general obligation debt outstanding at year-end was \$9,803,000.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

D. LONG-TERM OBLIGATIONS (Continued)

The following is a list of long-term obligations at December 31, 2007:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/07</u>	<u>Amounts Due within One Year</u>
Governmental Activities						
General Obligation Debt						
2000 General Obligation Notes	2/1/2000	4/1/2010	4.7%-5.4%	1,860,000	\$ 750,000	\$ 200,000
2003 General Obligation Notes	4/1/2003	4/1/2013	1.3%-3.5%	350,000	185,900	20,600
2003 General Obligation Notes	10/1/2003	4/1/2013	1.4%-4.0%	297,000	257,000	10,000
2005 General Obligation Notes	8/9/2005	4/1/2015	3.50-3.80%	1,545,000	1,498,882	46,120
2007 G.O. Community Development Bonds	10/25/2007	4/1/2027	5.6%-6.3%	930,000	930,000	-
2007 G.O. Community Development Bonds	5/30/2007	4/1/2027	3.7%-4.25%	2,860,000	2,860,000	-
2007 STFL Loan	8/3/2007	3/15/2027	5.50%	1,918,000	1,918,000	-
2007 STFL Loan	8/3/2007	3/15/2007	5.50%	500,000	500,000	-
					<u>\$8,899,782</u>	<u>\$ 276,720</u>

The purpose of governmental activities long-term debt is to finance various capital improvements and Tax Incremental District planned projects. Debt service requirements to maturity are as follows:

	Governmental Activities General Obligation Debt		
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	276,720	470,762	747,482
2009	445,586	523,575	969,161
2010	721,547	397,379	1,118,926
2011	676,032	373,555	1,049,587
2012	680,426	347,475	1,027,901
2013-2017	2,584,018	1,709,906	4,293,924
2018-2022	1,948,009	894,612	2,842,621
2023-2027	1,567,444	351,773	1,919,217
	<u>\$ 8,899,782</u>	<u>\$ 5,069,037</u>	<u>\$ 13,968,819</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

D. LONG-TERM OBLIGATIONS (Continued)
PROPRIETARY DEBT

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/07	Amounts Due within One Year
Business-Type Activities						
General Obligation Debt						
Electric and Water						
2003 General Obligation Notes	4/1/2003	4/1/2013	1.30-3.50%	500,000	264,100	29,400
2003 General Obligation Notes	10/1/2003	10/1/2013	1.40-4.00%	473,000	473,000	-
Subtotal electric and water general obligation debt					737,100	29,400
Mortgage Revenue Bonds						
2005 Mortgage Revenue Bonds	8/30/2005	5/1/2025	3.2-4.75%	\$ 3,250,000	3,200,000	100,000
2007 Mortgage Revenue Bonds	5/30/2007	5/1/2027	4.0-4.125%	2,615,000	2,615,000	-
Total Electric and Water long-term notes and bonds					<u>\$ 6,552,100</u>	<u>\$ 129,400</u>
Sewer Utility						
2003 General Obligation Notes	10/1/2003	10/1/2013	1.40-4.00%	\$ 400,000	40,000	40,000
2005 General Obligation Notes	8/9/2005	4/1/2015	3.50-3.80%	130,000	126,118	3,880
Subtotal electric and water general obligation debt					166,118	43,880
Mortgage revenue Bonds						
2005 Clean Water Fund Debt	7/27/2005	5/1/2025	2.37%	\$ 1,602,737	1,474,033	66,644
Total Sewer long-term notes and bonds					<u>\$ 1,640,151</u>	<u>\$ 110,524</u>
Total Business-Type Activities long-term notes and bonds					<u>\$ 8,192,251</u>	<u>\$ 239,924</u>

The purpose of business type activities long-term debt is to finance capital improvements. Debt service requirements to maturity are as follows:

Business-Type activities			
Long-term notes and bonds			
Years	Principal	Interest	Total
2008	239,924	312,059	551,983
2009	291,402	303,890	595,292
2010	283,072	294,406	577,478
2011	289,780	282,243	572,023
2012	469,514	266,092	735,606
2013-2017	2,176,251	1,085,483	3,261,734
2018-2022	2,200,266	682,057	2,882,323
2023-2027	2,242,042	206,101	2,448,143
	<u>\$ 8,192,251</u>	<u>\$ 3,432,331</u>	<u>\$ 11,624,582</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

D. LONG-TERM OBLIGATIONS (Continued)

OTHER DEBT INFORMATION

Estimated payments of accumulated employee benefits, leases and other commitments are not included in the above debt service requirements schedules. \$212,140 is available in the debt service fund to service the general obligation debt.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The city believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

E. GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2007 includes the following:

	Investment in Capital Assets, Net of related debt			
	Governmental	Water and Light	Sewer	Total Business-type
Capital assets	\$ 5,635,526	\$ 15,349,379	\$ 6,454,392	\$ 21,803,771
less current portion LT debt	(276,720)	(129,400)	(110,524)	(239,924)
less LT debt	(8,623,062)	(6,422,700)	(1,529,627)	(7,952,327)
less deferred regulatory credit	-	(453,923)	-	(453,923)
plus bond reserve		290,528		
plus unspent proceeds	3,391,316	-	-	-
Investment in capital assets, net	<u>\$ 127,060</u>	<u>\$ 8,633,884</u>	<u>\$ 4,814,241</u>	<u>\$ 13,157,597</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

E. GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES (Continued)

The following are governmental fund balance reservations, designations and undesignated amounts.

	<u>Reserved</u>	<u>Designated</u>	<u>Undesignated</u>
General Fund:			
Advances	\$ 317,392	\$ -	\$ -
Revolving loan	-	75,737	-
Building improvement grant	-	7,900	-
Undesignated	-	-	1,052,531
	<u>\$ 317,392</u>	<u>\$ 83,637</u>	<u>\$ 1,052,531</u>
 Debt Service Fund:			
Designated for debt service		<u>\$ 212,140</u>	
 Capital Projects Fund:			
Bike path		\$ 4,636	\$ -
Lake Leota		20,867	
Park-land fees		33,557	
Undesignated (Deficit)		-	(749,163)
		<u>\$ 59,060</u>	<u>\$ (749,163)</u>
 TIF 5 Undesignated (Deficit)			<u>\$ (1,186,038)</u>
 TIF 6 Undesignated			<u>\$ 743,797</u>
 TIF 7 Undesignated			<u>\$ 2,235,756</u>
 TIF 8 Undesignated			<u>\$ 566,603</u>
 Non-Major Governmental Funds:			
EMS	\$ -	\$ 312,937	\$ (11,036)
Cemetery	79,307	-	-
Library	87,897	-	-
Total Non-Major Governmental Funds	<u>\$ 167,204</u>	<u>\$ 312,937</u>	<u>\$ (11,036)</u>
 Total	<u>\$ 484,596</u>	<u>\$ 667,774</u>	<u>\$ 1,903,287</u>

The TIF deficits are anticipated to be recovered through future tax increments. The capital project deficit is anticipated to be repaid with borrowings and allocations to the TIF districts.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

NOTE IV – OTHER INFORMATION

A. EMPLOYEE'S RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN

All eligible City of Evansville employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer, defined benefit, public employee retirement system (PERS). All permanent employees expected to work at least 600 hours a year are eligible to participate in WRS. Covered employees are required by statutes to contribute 6.0% of their salary (3.0% for Elected Officials, 5.1% for Protective Occupations with social security and 3.4% for Protective Occupations without Social Security), to the plan. Employers may make these contributions to the plan on behalf of the employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for City of Evansville employees covered by the WRS for the year ended December 31, 2007 was \$ 1,775,830; the employer's total payroll was \$ 1,912,895. The total required contribution for the year ended December 31, 2007 was \$206,298 which was 11.6% of payroll. Total contributions for the years ending December 31, 2005 and 2004 were \$176,815 and \$169,592, respectively, equal to the required contributions for the year.

Employees who retire at or after age 65, (62 for elected officials and 55 for protective occupation employees), are entitled to receive a retirement benefit. Employees may retire at age 55, (50 for protective occupation employees), and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings are the average of the employees' three highest years' earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust funds, P.O. Box 7931, Madison, WI 53707-7931.

B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

C. DEFERRED REGULATORY CREDIT

In 2004 the Public Service Commission of Wisconsin required regulated utilities to create a deferred regulatory credit account. The amount of the credit was equal to the estimated accumulated depreciation on contributed utility plant as of December 31, 2003. The credit has the effect of reducing the rate base used by the Commission in approving user rates charged by the utilities. The credit is reported in the statement of net assets as a liability. The credit is being amortized to non-operating income over a period of 20 years. As of December 31, 2007, the balance was \$482,293.

D. COMMITMENTS AND CONTINGENCIES

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of the management and the City Attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

Funding for the operating budget of the City comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the City. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the City.

The City has construction commitments of approximately \$335,000 as of 12/31/07. These are for unfinished road work and utility projects. The city also approved the purchase of land for the fire district in 2008. Total purchase was approximately \$273,000.

E. PURCHASED POWER CONTRACT

The Evansville Water and Light has a long-term contract and purchases its power from WPPI, Wisconsin Public Power Incorporated. Purchased power expenses were \$4,121,242.

F. EVANSVILLE FIRE DISTRICT

The City of Evansville is a participant in the Evansville Fire Protection District ("District"), along with the townships of Brooklyn, Magnolia, Porter and Union. The entire city is within the district. Only portions of the aforementioned townships are included. The District was created on January 1, 1996. The District Board consists of 6 trustees; one from each township and two from the City. The District owns the Fire equipment. A budget is adopted annually by the District and each municipality contributes to the District based on the respective portion of equalized value within the District.

For 2007, the City contributed \$125,325 to the District for dues. The City's portion of the District's 2008 budget is \$127,382. The District issues separate financial statements.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

G. EVANSVILLE MEDICAL EMERGENCY SERVICES

The City of Evansville provides emergency medical services to the city and portions of the Town of Union, Porter and Magnolia. The contract with the participating townships requires a payment of \$20 per capita. For 2007, the City received payments from the Townships in the amount of \$45,825.

H. SUBSEQUENT BORROWINGS

The City borrowed \$1,185,000 in note anticipation notes in 2008. These notes were issued May 29, 2008 and are payable with principal due April 1, 2009, 2010 and 2011 of \$330,000, \$335,000 and \$520,000 respectively. Interest is payable at rates of 2.9% to 3.4%.

The City also approved the pay-off of a state trust fund loan in the amount of \$1,939,038.

I. RELATED PARTY TRANSACTIONS

The City has approved a development agreement to provide up to \$500,000 in economic development assistance to a business in which the Mayor is a shareholder. No disbursement was made in 2007. This was in TID 8.

The City's TIF 6 entered into an agreement to provide \$300,000 in economic development assistance directly to a developer. One of the City alderman's business was a subcontractor.

J. COMPONENT UNIT – HOUSING AUTHORITY OF THE CITY OF EVANSVILLE

This report contains the Housing Authority of the City of Evansville, which is included as a component unit. Financial information is presented as a discrete column in the government-wide statement of net assets and statement of activities. The financial information is reported as of and for the year ended December 31, 2007. In addition to the basic financial statements that apply, the following additional disclosures are considered necessary for a fair presentation.

(a) Basis of Accounting/Measurement Focus

The Housing Authority follows the full-accrual basis of accounting and the flow of economic resources measurement focus. The economic resources measurement focus means all assets and liabilities are recorded on the statement of net assets. Revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

(b) Cash and Cash Investments

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000 at each depository. In addition the Wisconsin State Deposit Guarantee Fund insures deposits for up to \$400,000 per depository. The Authority had no deposits in excess of these limits. At year-end, the bank balance of the Authority's deposits was \$696,101. This included demand deposits (\$23,004), savings accounts (\$485,132) and CDs of \$187,965. The CDs average maturity is 8.96 months.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2007

J. COMPONENT UNIT – HOUSING AUTHORITY OF THE CITY OF EVANSVILLE
(continued)

(c) Capital Assets

Capital assets included property, buildings, furniture and equipment. Capital assets are valued at historical cost or estimated historical cost. Donated assets are valued at fair market value at the date donated. Interest has not been capitalized. Depreciation is recorded using the straight-line method over the various lives of the assets which range from 3 to 40 years. A summary of the capital asset activity follows:

	Balance 12/31/2006	Additions	Subtractions	Balance 12/31/2007
Non-depreciable capital assets:				
Land	\$ 25,758	\$ -	\$ -	\$ 25,758
Other improvements	506,497	14,875	-	521,372
Depreciable capital assets	135,171	1,893	10,803	137,064
Less: accumulated depreciation	<u>(362,635)</u>	<u>(19,671)</u>	<u>-</u>	<u>(382,306)</u>
Net Book Value	\$ <u>304,791</u>	\$ <u>(2,903)</u>	\$ <u>-</u>	\$ <u>301,888</u>

SUPPLEMENTARY INFORMATION

**City of Evansville
Evansville, WI**

**Schedules of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (with Variances)
General Fund
For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 1,057,647	\$ 1,057,647	\$ 1,057,647	\$ -
Other Taxes	-	-	13,673	13,673
Intergovernmental	795,153	795,153	787,379	(7,774)
License and Permits	74,165	74,165	92,654	18,489
Fines, Forfeits and Penalties	78,500	78,500	95,393	16,893
Public Charges for Services	300,432	300,432	296,999	(3,433)
Interest Income	125,725	125,725	239,952	114,227
Miscellaneous Income	30,250	30,250	28,727	(1,523)
Total Revenues	<u>2,461,872</u>	<u>2,461,872</u>	<u>2,612,424</u>	<u>150,552</u>
EXPENDITURES				
Current:				
General Government	593,378	618,378	628,190	(9,812)
Public Safety	1,076,795	1,076,795	1,037,388	39,407
Public Works	632,042	632,042	624,367	7,675
Health and Human Services	32,100	32,100	34,358	(2,258)
Culture, Recreation and Education	256,807	256,807	255,513	1,294
Conservation and Development	82,050	82,050	66,555	15,495
Total Expenditures	<u>2,673,172</u>	<u>2,698,172</u>	<u>2,646,371</u>	<u>51,801</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(211,300)</u>	<u>(236,300)</u>	<u>(33,947)</u>	<u>202,353</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (including tax equivalent)	211,300	211,300	261,352	(50,052)
Total Other Financing Sources and Uses	<u>211,300</u>	<u>211,300</u>	<u>261,352</u>	<u>50,052</u>
Net Change in Fund Balances	<u>-</u>	<u>(25,000)</u>	<u>227,405</u>	<u>252,405</u>
Fund Balances - Beginning	1,226,155	1,226,155	1,226,155	-
Fund Balances - Ending	<u>\$ 1,226,155</u>	<u>\$ 1,201,155</u>	<u>\$ 1,453,560</u>	<u>\$ 252,405</u>

See accompanying notes to the basic financial statements

City of Evansville
Evansville, WI

Non-Major Funds
Combining Balance Sheet
December 31, 2007

	EMS	Library	Cemetery	Non-Major Funds
ASSETS				
Cash and Cash Equivalents	\$ 279,350	\$ 98,971	\$ 81,654	\$ 459,975
Receivables:				
Taxes	101,084	186,063	65,558	352,705
Accounts	37,311	-	-	37,311
Due from Other Funds	-	-	-	-
Prepaid Expenses	2,751	811	-	3,562
Total Assets	\$ 420,496	\$ 285,845	\$ 147,212	\$ 853,553

LIABILITIES AND FUND BALANCES

Liabilities:				
Accounts Payable	\$ 7,918	\$ 4,082	\$ 907	\$ 12,907
Accrued Liabilities	9,593	3,952	1,440	14,985
Deferred Revenue	101,084	186,063	65,558	352,705
Due to Other Funds	-	-	-	-
Advances Payable	-	3,851	-	3,851
Total Liabilities	118,595	197,948	67,905	384,448
Fund Balance:				
Reserved	-	87,897	79,307	167,204
Designated	312,937	-	-	312,937
Unreserved/Undesignated	(11,036)	-	-	(11,036)
Total Fund Balance	301,901	87,897	79,307	469,105
Total Liabilities and Fund Balance	\$ 420,496	\$ 285,845	\$ 147,212	\$ 853,553

See accompanying notes to the basic financial statements

City of Evansville
Evansville, WI

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Funds
For the Year Ended December 31, 2007

	EMS	Library	Cemetery	Non-Major Funds
REVENUES				
Property Taxes	\$ 108,528	\$ 187,392	\$ 63,649	\$ 359,569
Intergovernmental	54,262	47,208	-	101,470
Public Charges for Services	189,384	14,459	21,700	225,543
Interest Income	-	1,559	3,216	4,775
Miscellaneous Income	-	886	1,515	2,401
Total Revenues	<u>352,174</u>	<u>251,504</u>	<u>90,080</u>	<u>693,758</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Safety	275,364	-	-	275,364
Health and Human Services	-	-	93,029	93,029
Culture, Recreation and Education	-	238,187	-	238,187
Capital Outlay	-	-	-	-
Total Expenditures	<u>275,364</u>	<u>238,187</u>	<u>93,029</u>	<u>606,580</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>76,810</u>	<u>13,317</u>	<u>(2,949)</u>	<u>87,178</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-Term Debt	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	(23,157)	(3,000)	-	(26,157)
Total Other Financing Sources and Uses	<u>(23,157)</u>	<u>(3,000)</u>	<u>-</u>	<u>(26,157)</u>
Net Change in Fund Balances	53,653	10,317	(2,949)	61,021
Fund Balances - Beginning	248,248	77,580	82,256	408,084
Fund Balances - Ending	<u>\$ 301,901</u>	<u>\$ 87,897</u>	<u>\$ 79,307</u>	<u>\$ 469,105</u>

See accompanying notes to the basic financial statements

SINGLE AUDIT

CITY OF EVANSVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2007

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development Pass through Wisconsin Department of Commerce Community Development Block Grant	14.228	\$ 288,104
U.S. Department of Transportation Pass through Wisconsin Department of Transportation Transportation Enhancement Assistance	20.205	<u>229,776</u>
Total Expenditures of Federal Awards		<u>\$ 517,880</u>

CITY OF EVANSVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2007

Note 1 Reporting Entity

This Report on Federal and State Awards includes all federal awards of the primary government of the City of Evansville. This does not include the Housing Authority of the City of Evansville.

Note 2 Basis of Presentation

The accounting records for the grant program are maintained on the accrual or modified accrual basis of accounting, depending on the fund type the federal and state awards are recorded in. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Citys* and the *State Single Audit Guidelines*.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

August 27, 2008

To the City Council
City of Evansville
Evansville, Wisconsin

We have audited the financial statements of the City of Evansville as of and for the year ended December 31, 2007, and have issued our report thereon dated August 27, 2008. We did not audit the financial statements of the Housing Authority of the City of Evansville, a discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Evansville, is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Evansville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Evansville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Evansville's internal control over financial reporting

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses and identified as 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that finding 2007-1 constitutes a material weakness.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.



City of Evansville
Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with *Government Auditing Standards*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Evansville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted additional matters that we reported to management of the City of Evansville in a separate letter dated August 27, 2008.

The City of Evansville's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Evansville's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Madison, Wisconsin

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

August 27, 2008

To the City Council
City of Evansville
Evansville, Wisconsin

Compliance

We have audited the compliance of the City of Evansville with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. The major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Evansville's management. Our responsibility is to express an opinion on the City of Evansville's compliance based on our audit.

The City of Evansville, Wisconsin's basic financial statements include the operations of the Housing Authority of City of Evansville, a discretely presented component unit. The Housing Authority expended \$383,644 in federal expenditures during the year ended December 31, 2007. Our audit, described below, did not include the operations of the Housing Authority of the City of Evansville because the Authority was audited by other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Cities*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Evansville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Evansville's compliance with those requirements.

In our opinion, the City of Evansville complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.



Internal Control Over Compliance

The management of the City of Evansville is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Evansville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Johnson Block and Company, Inc.
Madison, Wisconsin

CITY OF EVANSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

* Material weakness identified? Yes

* Significant control deficiency(ies) identified that are
not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

* Material weakness identified? No

* Significant control deficiency(ies) identified that are
not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133? No

Identification of major programs:

CFDA Number

Name of Program

14.228

Community Development Block Grant

Dollar threshold for distinguishing Types A and B programs: \$300,000

Auditee qualified as low-risk auditee? No

**CITY OF EVANSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Section II – Financial Statement Finding

Significant Deficiencies

2007-1

Condition: The City does not have management personnel with the necessary expertise to prepare the financial statements and related notes in accordance with generally accepted accounting principles. Due to limited resources, management has decided to accept certain risks relevant to financial reporting and relies on the auditor to assist with the preparation of the City's financial statements.

Criteria: Internal controls over preparation of the financial statements, including footnote disclosures, should be in place to provide reasonable assurance that a misstatement in the financial statements would be prevented or detected.

Effect: Because management relies on the auditor to assist with the preparation of the financial statements, the City's system of internal control may not prevent, detect, or correct misstatements in the financial statements.

Auditor's Recommendation: The auditor will continue to work with the City, providing information and training where needed, to make the City's personnel more knowledgeable about its responsibility for the financial statements.

Grantee Response: The significant deficiency has been discussed with the City's management and they acknowledge their responsibility for the financial statements.

Section III – Federal Award Findings and Questioned Costs

None.